



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Coconino County Community College District

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Coconino County Community College District
Single Audit Reporting Package
Year Ended June 30, 2007

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Issued Separately

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Governing Board of
Coconino County Community College District

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2008. Our report was modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Coconino Community College Foundation, the discretely presented component unit, as described in our report on the District's financial statements. The financial statements of the Coconino Community College Foundation were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider items 07-01 and 07-02 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Coconino County Community College District's responses to the findings identified in our audit are presented on pages 9 through 10. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

February 21, 2008



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Governing Board of
Coconino County Community College District

Compliance

We have audited the compliance of Coconino County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Coconino County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated February 21, 2008. Our report was modified to include a reference to our reliance on other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Governing Board, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

March 24, 2008, except for the
Schedule of Expenditures of Federal Awards,
for which the date is February 21, 2008

Coconino County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Small Business Administration			
Small Business Development Center, passed through the Maricopa County Community College District	59.037	6-603001-Z-0003-14, 7-603001-Z-0003	<u>\$ 70,058</u>
U.S. Department of Education			
Adult Basic Education—State Grant Program, passed through the Arizona Department of Education	84.002	07FAEABE-770545-02A	241,755
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		153,487
Federal Family Education Loans Program	84.032		1,196,346
Federal Work-Study Program	84.033		80,080
Federal Pell Grant Program	84.063		1,450,971
Academic Competitiveness Grants	84.375		<u>4,125</u>
Total Student Financial Assistance Cluster			<u>2,885,009</u>
Higher Education—Institutional Aid	84.031		648,933
Vocational Education—Basic Grants to States, passed through the Arizona Department of Education	84.048	06FCTDBG-670545-04A, 07FCTDBG-770545-04A	191,417
Leveraging Educational Assistance Partnership, passed through the Arizona Commission for Postsecondary Education	84.069	86-6004791	12,979
Tech-Prep Education, passed through the Arizona Department of Education	84.243	06FCTDTP-670545-03A, 07FCTDTP-770545-03A	126,172
Twenty-First Century Community Learning Centers, passed through the Arizona Department of Education	84.287	07FBPCY4-760592-01A	<u>2,500</u>
Total U.S. Department of Education			<u>4,108,765</u>
 Total Expenditures of Federal Awards			 <u>\$ 4,178,823</u>

See accompanying notes to schedule.

Coconino County Community College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Coconino County Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule for the Higher Education—Institutional Aid program (CFDA No. 84.031), the District awarded \$196,447 to subrecipients.

Coconino County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Material weaknesses identified in internal control over financial reporting?	<u> </u>	<u> X </u>
Significant deficiencies identified not considered to be a material weaknesses	<u> X </u>	<u> </u>
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>

Federal Awards

Material weaknesses identified in internal control over major programs?	<u> </u>	<u> X </u>
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	<u> X </u> (none reported)
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> </u>	<u> X </u>

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans Program
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.031	Higher Education—Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000	
Auditee qualified as low-risk auditee?	<u> X </u>	<u> </u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> X </u>	<u> </u>
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Coconino County Community College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Financial Statement Findings

07-01

The District should document and test its disaster recovery plans for its computerized information systems

The District uses computerized information systems to process, record, and store information that is vital to its daily operations. Therefore, the District should have an up-to-date contingency plan in place to provide for the continuity of operations and to ensure electronic data files are not lost because of a system or equipment failure or other interruption. However, the District did not have a written and tested disaster recovery plan.

To help ensure the continuity of the District's operations and to mitigate the risk of loss of critical electronic data in the event of system or equipment failure or other interruption, the District should have a current and tested disaster recovery plan. The plan should be updated annually and include the following for each of the District's critical information systems:

- A current listing of employees assigned to disaster teams, including emergency telephone numbers.
- Employee assignments and responsibilities.
- A risk analysis identifying critical applications.
- Details of off-site storage locations and availability of information stored at these locations.
- A list of procedures for processing critical transactions, including forms or other documents to use.
- Details of hardware and software requirements needed to run critical systems and the applicable vendors where the hardware and software can be obtained.
- Restoration procedures for backup tapes and servers.
- Overall testing strategies, testing frequencies, and documentation of test results.

In addition, the District should communicate and distribute copies of the disaster recovery plan to the necessary employees and ensure that they are aware of and are properly trained in their recovery responsibilities. Finally, the District should store a copy of the plan at an off-site location.

07-02

The District should separate responsibilities over journal entries

To maintain effective control over financial transactions, the District should separate responsibility for document preparation and approval. While the District has a limited number of office personnel, it generally has effective internal controls to adequately separate the responsibilities of preparing and approving journal entries. For example, the District has assigned and separated the functions of preparing and approving journal entries between two individuals. Accordingly, if one individual prepares a journal entry, the other individual approves the transaction. However, the District did not establish additional procedures for the preparation and approval of journal entries during the absence of one of these two individuals. Therefore, the individual who prepared journal entries during the absence of the other individual also authorized the transaction. As a result, errors or unauthorized adjustments to the financial statements may occur and may not be prevented or detected by the District.

To help ensure that the responsibilities over journal entries are adequately separated and to help prevent and detect errors and unauthorized adjustments to the financial statements, the District should establish additional procedures for the review and approval of journal entry transactions prepared during the absence of one of those individuals authorized to approve journal entries.



LONE TREE CAMPUS 2800 S LONE TREE RD. FLAGSTAFF AZ 86001-2701

March 06, 2007

Debra K. Davenport, CPA
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

FLAGSTAFF

GRAND CANYON

PAGE

WILLIAMS

Dear Ms. Davenport,

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Jami Van Ess, CPA
Vice President of Business & Administrative Services

**BUSINESS &
ADMINISTRATIVE
SERVICES**

VICE PRESIDENT

ACCOUNTING

BUDGET

FACILITIES

HUMAN RESOURCES

INFORMATION
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PURCHASING

AUXILIARY SERVICES

TEL 928.527.1222 FAX 928.226.4105 HR FAX 928.226.4114

Coconino County Community College District
Corrective Action Plan
For the year ended June 30, 2007

Finding 07-01

The District should document and test its disaster recovery plans for its computerized information systems.

Contact Person: David Hakanson, Chief Technology Officer

Anticipated Completion Date: June 30, 2008

In November 2007, the District entered a long-term agreement with CampusWorks, Inc to oversee technology operations. During an assessment by CampusWorks, it was identified that the District required an up to date disaster recovery plan for technology operations. The new Chief Technology Officer is currently developing the plan and will have the plan documented and tested by June 30, 2008. The plan will be communicated and distributed to necessary employees, who will be properly trained in their recovery responsibilities. A printed copy of the plan will be stored at the District's off-site data storage facility.

Finding 07-02

The District should separate responsibilities over journal entries

Contact Person: Cindy Cook, Controller

Anticipated Completion Date: Effective immediately

Effective immediately, all journal voucher transactions will require two signatures, indicating that the transaction was reviewed and approved by someone other than the preparer. Transactions occurring during the absence of the Controller and/or the Grant Accountant will be reviewed and approved after the fact upon the return of said individual.

Coconino County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Status of Federal Award Findings and Questioned Costs

CFDA No.: 84.032 **Federal Family Education Loans Program**
Finding No.: 06-01
Status: Fully corrected